

May 20, 2015

**HIOS Part II Preliminary Justification – Written Explanation of Rate Increase
Gundersen Health Plan, Inc.
Individual Market Product in Iowa
Effective January 1, 2016**

1. SCOPE AND RANGE OF RATE INCREASE

The purpose of this memorandum is to request a rate increase effective January 1, 2016 for Gundersen Health Plan, Inc.'s (GHP's) Iowa individual market products.

This justification is intended to comply with the requirements of the Iowa Insurance Division. This justification may not be appropriate for purposes or scopes beyond those described above and, therefore, should not be used for other purposes.

The rate increase requested for GHP's Iowa individual market product impacts approximately 66 members. The rate increase being requested for this product is 9.4% across all members. Rate changes vary by plan due to changes in cost sharing parameters (e.g. deductible, coinsurance, copays), network reimbursement assumptions, and the allocation of expenses and profit.

2. FINANCIAL EXPERIENCE

GHP's financial experience for its Individual market product for 2014 (based on claims paid through March 31, 2015) is shown below in Table 1:

Table 1 Gundersen Health Plan, Inc. 2014 Experience Summary – Iowa Individual Market			
Business	Allowed Claims	Incurred Claims*	Earned Premium
Total	\$482,049	\$433,955	\$235,187

**Net of estimated Cost Share Reduction subsidy amounts*

Table 1 shows GHP's claims are greater than the premium collected (i.e., GHP did not collect sufficient premium to cover the cost of paid claims and administrative expenses).

3. CHANGES IN MEDICAL SERVICE COSTS AND TREND ASSUMPTIONS

We trended the 2014 experience forward to 2016 assuming an aggregate annual 7.0% trend. We developed the trend assumptions using general industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment.

4. CHANGES IN BENEFITS

No changes to covered benefits are being made. Cost sharing parameters (e.g. deductible, coinsurance, copays) have changed for some plans to comply with the 2016 Federal Actuarial Value Calculator.

5. ADMINISTRATIVE COSTS AND ANTICIPATED PROFITS

GHP's projected 2016 administrative costs are roughly 0.5% of premium higher than the administrative costs built into the 2015 rates. Taxes and fees are roughly 0.5% of premium higher than the taxes and fees used in the 2015 rates.

GHP's 2016 rates assume a profit target comparable to the profit assumption built into the 2015 rates.



Part III Actuarial Memorandum

Gundersen Health Plan, Inc. Iowa Individual Rate Filing Effective January 1, 2016

Prepared for:
Gundersen Health Plan, Inc.

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1. GENERAL INFORMATION

This document contains the Part III Actuarial Memorandum for Gundersen Health Plan, Inc.'s (Gundersen's) individual medical block of business in Iowa, effective January 1, 2016. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of the premium rate filing, including support for the values entered in the Part I URRT (which supports compliance with the market rating rules and reasonableness of applicable rate increases). This memorandum may not be appropriate for other purposes.

This Actuarial Memorandum is subject to the terms and conditions of the Consulting Services Agreement between Gundersen and Milliman, Inc. (Milliman). The information in this Actuarial Memorandum has been prepared for the use of Gundersen. We understand the Actuarial Memorandum will be provided to the Iowa Insurance Division (IID), the Center for Consumer Information and Insurance Oversight (CCIO), and their subcontractors to assist in the review of Gundersen's rate filing. We understand the information provided may be considered public documents and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this Actuarial Memorandum or rate filing prepared for Gundersen by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and random deviations from assumptions.

Company Identifying Information

Company Legal Name:	Gundersen Health Plan, Inc.
State:	Iowa
HIOS Issuer ID:	27651
Market:	Individual
Effective Date:	January 1, 2016

Company Contact Information

Primary Contact Name:	Sam Schmirler, ASA, MAAA
Primary Contact Telephone Number:	(608) 775-8009
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2. PROPOSED RATE INCREASE(S)

This submission is for rate revisions to Gundersen's existing individual medical ACA-compliant products, as presented by HIOS Plan ID in the applicable line of Worksheet 2 in the URRT. The new rates are effective for individuals with an effective date or renewal date of January 1, 2016 through December 31, 2016. The average proposed rate change across all plans and regions from the most recently approved rates effective January 1, 2015 is approximately 9.4%. Table 1 summarizes the proposed rate changes by region and product effective January 1, 2016.

Table 1
Gundersen Health Plan, Inc.
2016 Individual Rate Filing
Average Rate Change Summary by Product

Region	GundersenOne	GundersenOneHSA
Rating Areas 6 & 7	9.0%	9.6%

Exhibit 1 provides a comparison of the revised base rates to the current base rates for a 21 year old.

The proposed rate change does not vary by region but does vary by plan. There are a number of 2015 to 2016 plan-specific changes that cause the rate increase to vary by plan, including changes in plan benefits, pricing model changes in determining pricing values and the plan design behavior factors, changes to the provider reimbursements, and revised retention assumptions. These changes are applied at the benefit plan level resulting in different rate increases by plan.

There are no changes to rating factors (e.g., age, tobacco) in this rate filing other than changes to the base premium rate and rate relativities by plan.

The reasons for the rate change are:

- Emerging claim experience,
- Expected future medical inflation and utilization changes,
- Changes in ACA taxes and fees,
- Changes in expected Federal Transitional Reinsurance Program,
- Expected changes in morbidity of the statewide insured risk pool,
- Change in the mix of business, and
- Changes in administrative fees and requested profit margin.

3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

Gundersen's actual claims for 2014 ACA-compliant individual market business in Iowa is reflected in URRT Worksheet 1.

Claims Paid Through Date

The 2014 claims incurred in the experience reflect payments through March 31, 2015.

Premiums (Net of MLR Rebate) in Experience Period

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the experience period (calendar year 2014). Gundersen's 2014 individual ACA loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not needed.

Allowed and Incurred Claims Incurred During the Experience Period

The allowed and incurred claims were provided directly from Gundersen's claim records. Table 2 summarizes the claims in the experience period.

Table 2
Gundersen Health Plan, Inc.
2014 Incurred Claims Summary
Iowa Individual Market

Claim Category	2014 Allowed Claims	2014 Incurred Claims
Claims with Runout through March 31, 2015	\$478,833	\$431,060
Incurred but not Reported (IBNR)	3,216	2,895
Total	\$482,049	\$433,955

We completed the claims by using lag development factors for lags across all of Gundersen's commercial business. We applied the incurred but not paid (IBNP) claims as a percent of total claims estimate consistently for both allowed and paid claims.

We developed our best estimates of Gundersen's IBNP claim liabilities by blending two estimation methods: a lag completion method and a projection method. Both methods estimate monthly incurred claims with the IBNP claim liability as the result of subtracting paid claims from estimated incurred claims.

The lag completion method estimates monthly incurred claims based on Gundersen's historical monthly patterns of claim incurral and processing. This method will produce fairly stable results for months where sufficient time has passed since incurral. However, the lag completion method produces less stable results when estimating incurred claims for more recent months and as such, the projection method is relied on more for the most recent incurral months.

The projection method:

- Starts with an incurred claims cost estimated by the lag method for a stable base period,
- Calculates an incurred claim cost level per member per month (PMPM),
- Trends the PMPM level forward to the more recent incurred months, and
- Calculates the incurred claim estimates for a month by multiplying the projected PMPM by the number of members.

The projection method is based on a trend factor selected to reflect anticipated changes in the volume of services, mix of services, and provider reimbursement levels.

Results from both methods were blended to calculate the final incurred claim estimates. The results of these analyses were also reviewed in light of other available information (e.g., claims inventory reports, large claims reports, etc.) and judgment to arrive at the estimates.

4. BENEFIT CATEGORIES

We categorized utilization and cost information by benefit using Gundersen's historical distribution.

- Inpatient Hospital (facility charges with an overnight stay)
- Outpatient Hospital (facility charges without an overnight stay)
- Professional (services billed separately from facility claims associated with a given inpatient hospital stay or outpatient procedure)
- Other Medical (with units measured as a mix of visits, cases, procedures, etc.)
- Capitation (not applicable for Gundersen)
- Prescription Drug (prescriptions not billed by a facility or professional)

5. PROJECTION FACTORS

Due to Gundersen's limited 2014 individual market experience in Iowa, we developed the 2016 projection using a credibility manual rate. The Credibility Manual Rate Development section of this memorandum describes the manual rate development.

6. CREDIBILITY MANUAL RATE DEVELOPMENT

Gundersen's 2016 individual rates are based 100% on manual rates due to Gundersen's limited enrollment in the 2014 individual market in Iowa.

Source and Appropriateness of Experience Data Used

Source: The credibility manual rate is based on Gundersen's aggregate individual experience which includes Wisconsin, Iowa, and Minnesota.

Appropriateness: Gundersen's individual experience across all three states reflects the same underlying utilization patterns in Gundersen's service area that are expected in Gundersen's individual product in Iowa. We adjusted the combined Gundersen individual experience as need to be consistent with our projection of the 2016 Iowa individual market (as noted in this memorandum). Gundersen's membership in Iowa and Minnesota is very small, especially relative to its Wisconsin membership. Since Gundersen's service areas in Iowa and Minnesota are the areas immediately bordering Wisconsin, we don't expect a large volume of membership from Iowa or Minnesota nor do we expect the risk profile of members to significantly differ between the Iowa/Minnesota border area and Wisconsin (despite state differences).

Adjustments Made to Gundersen Data

Changes in the Morbidity of the Population Insured

Calendar year 2014 was the first year of coverage for many members in the Individual Market. We believe many individuals delayed medical services until they received adequate coverage; this phenomenon is often referred to as "pent-up demand". We estimate the composite impact of pent-up demand for Gundersen's Individual members in 2014 was roughly ■■■ of allowed claims. The true impact of pent-up demand cannot be known, but we believe this estimate is in a reasonable range. Therefore, a projection factor of ■■■ is used to remove the impact of pent-up demand, which is not expected to continue into the projection period. Additionally, we expect the morbidity of the individual market in Iowa will improve ■■■ between 2014 and 2016 due to the expiration of transitional products and these members – who presumably are healthier – entering the individual market in Iowa.

Changes in Benefits

The covered benefits underlying Gundersen's 2014 individual ACA experience are the same as the 2016 covered benefits. However, there is an adjustment for changes in benefits to reflect the different mix of plan richness between the experience and projection period as well as the differing percentage of members receiving subsidized cost sharing.

Changes in Demographics

The distribution of members by age and gender is assumed to be the same in the experience and the projection period. Therefore, no adjustment is needed for changes in demographics.

Changes in Provider Reimbursement

The provider reimbursement arrangements for Wisconsin, Iowa, and Minnesota underlying the 2014 experience are materially the same as the projected reimbursement arrangements for the individual market in Iowa. As such, no adjustment is made for changes in provider reimbursement.

Trend Factors

The 2014 experience was trended forward to 2016 assuming an aggregate annual 7% trend. The trend assumptions were developed to reflect Gundersen's expectations regarding increases in contractual reimbursements. General industry knowledge regarding recent trends in medical inflation, Milliman research, and judgment were also considered.

Inclusion of Capitation Payments

Not applicable.

7. CREDIBILITY OF EXPERIENCE

Gundersen's 2015 rates are based 100% on manual rates due to Gundersen's limited 2014 individual market enrollment in Iowa.

8. PAID TO ALLOWED RATIO

The Paid to Allowed ratio shown in Worksheet 1, Section III of the URRT was developed by calculating the average ratio of Paid (i.e., after member cost sharing) to Allowed (i.e., before member cost sharing) claims for each plan, weighted by projected member months by plan. Please refer to Appendix A for details. Appendix A uses membership consistent with the projections in Worksheet 2, Section IV of the URRT.

9. RISK ADJUSTMENT AND REINSURANCE

Experience Period Risk Adjustments PMPM

Due to Gundersen's limited 2014 individual market enrollment in Iowa and lack of information regarding Gundersen's 2014 risk score relative to the statewide Iowa risk score, we assume Gundersen's risk score will equal the statewide average.

Projected Risk Adjustments PMPM

We estimate Gundersen's 2016 risk scores will mirror the statewide average. As a result, the only risk adjustment payment is the \$0.15 PMPM risk adjustment administrative fee as illustrated in URRT Worksheet 1, Section III.

The estimates of relative risk and risk transfer receipts are highly dependent on the population that enrolls with Gundersen but also with other carriers in the state. The risk transfer receipts, net of risk adjustment fees, was applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

Experience Period Reinsurance PMPM

Estimates for Federal reinsurance received in the experience period were provided by Gundersen and are illustrated in URRT Worksheet 2 Section III. Gundersen developed this estimate based on a review of its large claims in 2014 for its individual ACA-compliant plans.

Projected Reinsurance Recoveries PMPM

We estimated Federal reinsurance recoveries in the projection period will be \$40.37 PMPM, as illustrated in URRT Worksheet 1, Section III. This amount is net of the 2016 reinsurance premiums of \$2.25 PMPM. These receipts are also illustrated in URRT Worksheet 2 Section IV net of reinsurance premiums, per HHS's instructions. The recoveries assume Gundersen will receive 50% of all Gundersen's individual members' per member per year incurred claims between \$90,000 and \$250,000, which is consistent with the 2016 Final Notice of Benefit and Payment Parameters released on February 20, 2015.

We estimated the recoveries using Milliman's *HCGs* claim probability distributions (CPDs) calibrated to Gundersen's projected experience. CPDs are a frequency distribution of claim amounts that can be used to estimate PMPM claims between deductibles and stop-loss amounts. Exhibit 2 displays the calculations. The net recoveries were applied to the Index Rate on an allowed basis in the development of the Market Adjusted Index Rate as required by CMS.

10. NON-BENEFIT EXPENSES AND PROFIT & RISK

Exhibit 3 summarizes the net expense development.

Administrative Expense Load

We estimate Gundersen's administrative expenses to be \$45.47 PMPM. This estimate is a combination of fixed PMPM administrative expenses and percent of premium expenses. This estimate is entered as a percent of premium in Worksheet 1, Section III of the URRT. The administrative expenses were developed by Gundersen based on a projection of 2016 expenses using 2015 budgeted expenses and anticipated changes from 2015 to 2016. This amount does not include any profit, risk load, taxes, or assessments described below. Table 3 below summarizes Gundersen's administrative expenses.

Table 3 Gundersen Health Plan, Inc. Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin		
Commission		
Commercial Reinsurance Recoveries		
Commercial Reinsurance Premiums		
Quality Improvement		
Information Technology		
Other Administrative Expenses		
Subtotal: Administrative Expense Load	\$45.47	7.89%

Profit and Risk Margin

We built in a composite 1.75% pre-tax contribution to surplus. The profit and risk margin varies by plan to achieve Gundersen's target rate position for each plan and to minimize variance in the rate change by plan. We considered Gundersen's desired rate level and company profit targets in setting this assumption. The pre-tax contribution to surplus decreased since the prior filing mainly to meet Gundersen's desired rate level.

Taxes and Fees

Table 4 provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URRT, as a PMPM and percent of premium.

Table 4 Gundersen Health Plan, Inc. Projected 2016 Taxes and Fees	
Item	PMPM
PCORI	
Health Insurer Fee	
Exchange User Fee	
Premium Tax	
Total	\$29.22

The exchange user fee was applied as an adjustment to the index rate at the market level. Specifically, the [REDACTED] PMPM exchange user fee was allocated across all projected individual enrollment both on and off exchange.

11. PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology, excluding adjustments for credibility, is about [REDACTED]. Exhibit 4 displays the development of the MLR in more detail.

12. SINGLE RISK POOL

The single risk pool was developed in accordance with the requirements in 45 CFR 156.80(d). Gundersen does not have any individual transitional plans or individual grandfathered plans.

13. INDEX RATE

The experience index rate represents the estimated total combined allowed PMPM claims for essential health benefits (EHBs). The index rate has not been adjusted for risk adjustment transfers, reinsurance fees / recoveries, or Marketplace user fees. The experience period index rate is equal to the experience period total allowed claims PMPM since there are no benefits that were offered beyond EHB benefits.

Section 3 (Experience Period Premium and Claim) describes the development of the experience index rate. The experience period index rate covers a 12-month period for individuals effective January 1, 2014 through December 31, 2014.

The index rate for the projection period is a measurement of average allowed claims PMPM for EHBs. Section 6 (Credibility Manual Rate Development) of this memorandum describes the development of the projected index rate. The projected index rate reflects the projected 2016 mixture of catastrophic / non-catastrophic enrollment and the projected mixture of risk morbidity that Gundersen expects to receive in single risk pool. The projected Index Rate is equal to the projected total allowed claims PMPM since there are no benefits offered beyond the EHBs.

The projected index rate for January 1, 2016 through December 31, 2016 is in Worksheet 1, Section III of the URRT, and in Table 5. The projected index rate reflects the anticipated claim level of the projection period with respect to trend, benefits, morbidity, demographics, and other projection factors. Please refer to Section 6 (Credibility Manual Rate Development) for a description of the factors applied to the manual rate to develop the projected index rate.

Table 5 Gundersen Health Plan, Inc. Projected 2016 Index Rate Development	
2014 Manual Rate Member Months	
2014 Manual Rate Allowed Claims	
2014 Manual Rate Allowed Claims PMPM	
Morbidity Adjustment	
2 Year Claim Trend	
Other Factors (Demographic, Plan Mix, etc.)	
Projected Index Rate	\$762.83

14. MARKET-ADJUSTED INDEX RATE

The market-adjusted index rate is calculated as the index rate adjusted for all allowable market-wide modifiers defined under the market rating rules in 45 CFR Part 156, §156.80(d)(1). Table 6 shows the development of the market-adjusted index rate. (All components in the calculation were derived elsewhere in this memorandum.) The adjustments in Table 6 are applied to the Index Rate on an allowed basis as required by CMS.

Table 6 Gundersen Health Plan, Inc. Market Adjusted Index Rate Development		
	Amount PMPM	Annotation
Index Rate	\$762.83	(1)
Net Risk Adjustment	0.15	(2)
Net Transitional Reinsurance	-40.37	(3)
Exchange Fee		(4)
Paid to Allowed Average Factor	69.7%	(5)
Market Adjustments (Allowed Basis)		(6) = [(2)+(3)+4] ÷ (5)
Market Adjusted Index Rate		(7) = (1) + (6)

15. PLAN-ADJUSTED INDEX RATE

Experience Period Plan-Adjusted Index Rates

The experience period Plan-Adjusted Index Rates shown in URRT Worksheet 2, Section III are calculated for each plan as the plan's age-21 rate in 2014 times the composite age and geographic factors developed as part of 2014 pricing. Consistent with HHS's instructions to show mapped experience in the mapped plan's column, the experience period plan-adjusted index rates for terminated plans have been averaged with the experience period plan-adjusted index rates for the mapped plans in the mapped plan's column.

Projection Period Plan-Adjusted Index Rates

The development of the plan-adjusted index rates are shown in Appendix B and URRT Worksheet 2, Section IV. The market-adjusted index rate is adjusted to compute the plan-adjusted index rates using the following allowable adjustments:

Actuarial Value and Cost Sharing Adjustment

- The Actuarial Value and Plan Design Behavior Change factors were developed in an internal Milliman cost relativity model, which is based on Milliman's commercial *Health Cost Guidelines* (HCGs), with adjustments based on actuarial judgment. This model estimates actuarial equivalent relative values of different benefit plans using estimated medical costs calibrated to Gundersen's experience. Health status was not used to establish benefit plan relativities.

Provider Network, Delivery System, and Utilization Management Adjustment

- The value of each provider network was determined based on the experience of Gundersen and any anticipated differences in the network of a given plan as compared to the current network.

Adjustment for Benefits in Addition to the EHB

Gundersen does not offer any non-EHB benefits.

Adjustment for Distribution and Administrative Costs

Distribution and administrative costs were developed and applied to each plan as a mix of "percent of premium", "percent of claim", and PMPM bases.

Catastrophic Adjustment

With respect to the catastrophic plan, a ■■■ morbidity improvement was used to reflect the specific eligibility requirements at any given age for catastrophic plans. In addition, the catastrophic adjustment factor reflects the projected average demographics of individuals enrolled in a catastrophic plan relative to the other metal tiers. That is, the catastrophic plans are likely to attract a young, healthy population seeking minimal coverage yet still meeting the individual mandate. The morbidity improvement assumption was based on actuarial judgment after reviewing the relative cost among various ages in Milliman's HCGs and projected risk scores developed from the HHS risk model.

16. CALIBRATION

A single calibration factor is applied to the Plan Adjusted Index Rates to calibrate rates for the expected age and geographic distributions expected to enroll in the plan. The single calibration factor is applied uniformly across all plans.

The approximate weighted average age of the projected single risk pool is ■■ years. We calculated the risk pool weighted average age by projecting membership on a 5-year age group. The age curve calibration is applied to all plans. The weighted average age curve calibration factor is ■■■. The age curve calibration factor also includes an adjustment to account for the fact that Gundersen cannot rate for more than 3 children per family; this adjustment is approximately ■■■. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

Gundersen does not apply geographic rating factors to its plans as shown in Table 7. This is consistent with Gundersen's 2015 filing.

Table 7 Gundersen Health Plan, Inc. Geographic Factors	
Rating Area	Factor
Rating Area 6	1.000
Rating Area 7	1.000

Gundersen does not apply a tobacco surcharge.

The development of the plan-adjusted calibrated index rates are shown in Appendix C.

17. CONSUMER-ADJUSTED PREMIUM RATE DEVELOPMENT

The consumer-adjusted premium rate is the final premium rate for a plan charged to an individual, family, or small employer group utilizing the rating and premium adjustments as articulated in the applicable market reform rating rules. It is the product of the plan-adjusted index rate, the geographic rating factor, and the age rating factor. Gundersen does not use tobacco rating factors.

The plan-adjusted index rates and the geographic factors are shown in Appendix B and Table 7, respectively. Gundersen uses the Federal age curve. Gundersen does not use tobacco rating factors.

The development of the consumer-adjusted premium rates are shown in Appendix D.

18. AV METAL LEVELS

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator AVC.

19. AV PRICING VALUES

Appendix E provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and a breakdown of the components attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2), to arrive at the plan level rate.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman's HCGs to estimate the value of cost-sharing and relative utilization of services for each plan, with adjustments based on actuarial judgment. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

20. MEMBERSHIP PROJECTIONS

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT were developed based on consideration for the following:

- Historical sales for Gundersen's individual products, and
- Anticipated activity in the Iowa individual health insurance market due to various health care reform provisions and the changing competitive environment.

Gundersen used its early 2015 enrollment to project the enrollment distribution by plan.

Table 8 includes our assumed CSR distribution based on Gundersen's 2014 individual experience.

Table 8 Gundersen Health Plan, Inc. Silver Plan Distribution by CSR Status	
CSR Category	Distribution
Silver 94%	
Silver 87%	
Silver 73%	
Standard Silver	
Total	100.0%

21. TERMINATED PRODUCTS

Gundersen did not terminate any of its individual products offered in 2014 or 2015.

22. PLAN TYPE

All of Gundersen's plans are POS plans as noted in Worksheet 2, Section I of the URRT.

23. WARNING ALERTS

The URRT shows the following warnings:

- There is a warning in Worksheet 2, cell A54, because the Section III average Plan Adjusted Index Rate does not match the experience premium PMPM from Worksheet 1. This variance is due to the fact that the experience Plan Adjusted Index Rate reported in Worksheet 2, row 54 for single risk pool compliant plans is based on the Index Rate filed in 2014, the market adjustments filed in 2014, and the allowable plan adjustments in 2014, consistent with HHS's instructions. However, the premium reported in Worksheet 1 is based on actual experience.
- There is a warning in Worksheet 2, cell A56. The calculated amounts in this row are based on the PMPMs entered in row 54, and so the warning exists for the same reasons as the Warning for cell A54 as explained above.
- There are warnings generated by the Validate macro for Worksheet 2 cells K65, L65, M65, R65, and S65. These warnings say "(Section III - Portion of above payable by HHS's funds on behalf of insured person in dollars) should be 0 for exchange plans for year 2014 and 2015." Based on verbal guidance from CCIO, we recognize these warnings are an error in the URRT's programming, and consistent with CCIO's guidance, we are ignoring these warnings.

24. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we relied on information provided by Gundersen. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of the conclusions, may be materially affected.

We performed a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

A data reliance letter is attached to this rate submission.

25. ACTUARIAL CERTIFICATION

I am a Principal and Consulting Actuary with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to render the actuarial opinion contained herein. This filing is prepared on behalf of Gundersen Health Plan, Inc.

I certify to the best of my knowledge and judgment:

1. The projected index rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
 - Developed in compliance with the applicable Actuarial Standards of Practice,
 - Reasonable in relation to the benefits provided and the population anticipated to be covered, and
 - Neither excessive nor deficient based on my best estimates of the 2016 individual market.
2. The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.
3. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans.
5. The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

The information provided in this Actuarial Memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Respectfully Submitted,



Kimberley K. Hiemenz, FSA, MAAA
Principal and Consulting Actuary, Milliman
May 7, 2015

EXHIBITS

Exhibit 1
Gundersen Health Plan, Inc.
2016 Iowa Individual Rate Filing
Rate Increase by Plan
21 Year Old Rates

Plan Name	Plan ID	2016 Rate	2015 Rate	Rate Increase
Platinum \$1000 - 0%	27651IA0050001		\$414.78	
Platinum \$500 - 20%	27651IA0050002		\$404.60	
Gold \$1500 - 30%	27651IA0050003		\$357.74	
Gold \$3500 - 0%	27651IA0050004		\$351.20	
Silver \$3500 - 20%	27651IA0050005		\$317.40	
Silver \$2500 - 50%	27651IA0050006		\$327.49	
Silver \$2500 - 20%	27651IA0050007		\$332.13	
Bronze \$3000 - 50%	27651IA0050008		\$268.11	
Bronze \$4000 - 30%	27651IA0050009		\$271.30	
Bronze \$6250 - 30%	27651IA0050010		\$286.39	
Catastrophic \$6,850 - 0%	27651IA0050014		\$199.63	
Silver HSA \$3500 - 0%	27651IA0060001		\$298.92	
Silver HSA \$2000 - 50%	27651IA0060002		\$289.40	
Bronze HSA \$3250 - 50%	27651IA0060003		\$257.92	
Bronze HSA \$6000 - 0%	27651IA0060004		\$252.15	
Bronze HSA \$5000 - 20%	27651IA0060005		\$242.57	

Exhibit 2
Gundersen Health Plan, Inc.
2016 Iowa Individual Rate Filing
Estimated Impact of the Federal Transitional Reinsurance Program

	Amount	Annotation
Percentage of annual claims in excess of \$90,000		(1)
Percentage of annual claims in excess of \$250,000		(2)
Average annual claim size in excess of \$90,000		(3)
Average annual claim size in excess of \$250,000		(4)
Annual reinsurance payments requested per member		(5) = 50% of (1) x (3) - (2) x (4)
Annual reinsurance payments requested PMPM	42.62	(6) = (5)/12
Annual reinsurance payments received PMPM	42.62	(7) = 100% of (6)
Less Reinsurance Premiums Paid	2.25	(8)
Reinsurance Recoveries Net of Reinsurance Premium PMPM	\$40.37	(7) - (8)

Exhibit 3
Gundersen Health Plan, Inc.
2016 Iowa Individual Rate Filing
Net Expense Factor Development

Expense Item	Amount	Per Member Per Month
Administrative Expenses	7.89%	\$45.47
Expected Profit and Risk Load	1.75%	\$10.08
Taxes and Fees	5.07%	\$29.22
Total Expenses	14.71%	\$84.76
Average Premium		\$576.24
Exchange Fee Expenses		
Expenses Net of Exchange Fees		
Paid Claims PMPM		\$531.69
Market Adjustments		
Paid Claims PMPM with Market Adjustments		
Load to Claims for Expenses Net of Exchange Fees		

Exhibit 4

Gundersen Health Plan, Inc.
2016 Iowa Individual Rate Filing
2016 Projected Medical Loss Ratio

	Amount PMPM	Annotation
Claims	\$531.69	(1)
Adjustments to Claims ¹		(2)
Transitional Recoveries (Received)	\$ (42.62)	(3)
Risk Adjustment Paid (Received)	\$ -	(4)
MLR Numerator		(5) = (1) + (2) + (3) + (4)
Premiums	\$576.24	(6)
Taxes and Fees ²	\$31.61	(7)
Income Taxes	\$0.00	
MLR Denominator	\$544.63	(8) = (6) - (7)
Projected MLR ³		(9) = (5) / (8)

¹ Quality Improvement / Health IT.

² Taxes and fees include all ACA taxes and fees.

³ The projected MLR does not take the Credibility Adjustment nor the Cost Share Adjustment Factor into account.

RELIANCE LETTER

GUNDERSEN HEALTH PLAN

May 5, 2015

Mrs. Kimberley K. Hiemenz, FSA, MAAA
Principal and Consulting Actuary
Milliman, Inc.
15800 Bluemound Road - Suite 100
Brookfield, WI 53005-6069

Re: Gundersen Health Plan's 2016 Individual and Small Group Pricing

Dear Kim:

I, Sam Schmirler, ASA, MAAA, Director of Managed Care Business Development at Gundersen Health Plan (Gundersen), hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. were prepared under my direction, and these items relied upon are to the best of my knowledge accurate and complete. Finally, I affirm all information that affects the 2016 individual and small group premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections.

The information provided includes:

1. Benefit plans Gundersen intends to offer in 2016,
2. Product name, product id, and plan name as entered in the Health Insurance Oversight System (HIOS) for each benefit plan,
3. Product IDs and plan IDs are compliant with Federal regulations,
4. Projected administrative expenses (including the Health Insurer Fee Tax) and target profit,
5. Projected 2016 enrollment by plan and area,
6. Historical claim, premium and membership experience for Gundersen's individual, small group, and small group 51-100 products,
7. The rating regions in which Gundersen intends to offer individual and small group products in 2016,
8. Information regarding the premium stabilization programs, i.e. risk adjustment, risk corridors and reinsurance,
9. Guidance on appropriate medical trend factors for Gundersen,
10. Expected provider reimbursement rates,
11. Expected utilization rates for certain service categories,
12. Assurance Gundersen has accurately entered plan designs into the PBT and other Federal forms and found no meaningful discrepancies in the Actuarial Value calculations, and
13. Other information provided by Gundersen in various meetings, phone calls, emails, and other correspondence.

May 5, 2015

Date


Mr. Sam Schmirler, ASA, MAAA

Director of Managed Care Business Development
Gundersen Health Plan

APPENDICES

Appendix A
Gundersen Health Plan, Inc.
2016 Iowa Individual Filing
Development of Paid to Allowed

Plan Name	HIOS Plan ID	Metal Tier	Plan Membership	Allowed Claims	Paid Claims	Actuarial Value
Platinum \$1000 - 0%	27651IA0050001	Platinum	1.5%			
Platinum \$500 - 20%	27651IA0050002	Platinum	4.5%			
Gold \$1500 - 30%	27651IA0050003	Gold	3.0%			
Gold \$3500 - 0%	27651IA0050004	Gold	1.5%			
Silver \$3500 - 20%	27651IA0050005	Silver	7.5%			
Silver \$2500 - 50%	27651IA0050006	Silver	6.0%			
Silver \$2500 - 20%	27651IA0050007	Silver	1.5%			
Bronze \$3000 - 50%	27651IA0050008	Bronze	4.5%			
Bronze \$4000 - 30%	27651IA0050009	Bronze	1.5%			
Bronze \$6250 - 30%	27651IA0050010	Bronze	1.5%			
Catastrophic \$6,850 - 0%	27651IA0050014	Catastrophic	0.7%			
Silver HSA \$3500 - 0%	27651IA0060001	Silver	18.0%			
Silver HSA \$2000 - 50%	27651IA0060002	Silver	22.8%			
Bronze HSA \$3250 - 50%	27651IA0060003	Bronze	3.0%			
Bronze HSA \$6000 - 0%	27651IA0060004	Bronze	9.1%			
Bronze HSA \$5000 - 20%	27651IA0060005	Bronze	13.6%			
Total			100.0%	\$762.83	\$531.69	0.697

Appendix B
Gundersen Health Plan, Inc.
2016 Iowa Individual Filing
Development of Plan Adjusted Index Rate

Plan Name	HIOS Plan ID	Metal Tier	Plan Membership	Market Adjusted Index Rate	AV & Cost Sharing	Provider Network Adjustment	Benefits In Addition to EHBs	Tobacco Surcharge Adjustment	Catastrophic Adjustment	Administrative Costs Excl. Exchange Fee	Plan Adjusted Index Rate
Platinum \$1000 - 0%	27651A0050001	Platinum	1.5%			1.000	1.000	1.000			
Platinum \$500 - 20%	27651A0050002	Platinum	4.5%			1.000	1.000	1.000			
Gold \$1500 - 30%	27651A0050003	Gold	3.0%			1.000	1.000	1.000			
Gold \$3500 - 0%	27651A0050004	Gold	1.5%			1.000	1.000	1.000			
Silver \$3500 - 20%	27651A0050005	Silver	7.5%			1.000	1.000	1.000			
Silver \$2500 - 50%	27651A0050006	Silver	6.0%			1.000	1.000	1.000			
Silver \$2500 - 20%	27651A0050007	Silver	1.5%			1.000	1.000	1.000			
Bronze \$3000 - 50%	27651A0050008	Bronze	4.5%			1.000	1.000	1.000			
Bronze \$4000 - 30%	27651A0050009	Bronze	1.5%			1.000	1.000	1.000			
Bronze \$6250 - 30%	27651A0050010	Bronze	1.5%			1.000	1.000	1.000			
Catastrophic \$6,850 - 0%	27651A0050014	Catastrophic	0.7%			1.000	1.000	1.000			
Silver HSA \$3500 - 0%	27651A0060001	Silver	18.0%			1.000	1.000	1.000			
Silver HSA \$2000 - 50%	27651A0060002	Silver	22.8%			1.000	1.000	1.000			
Bronze HSA \$3250 - 50%	27651A0060003	Bronze	3.0%			1.000	1.000	1.000			
Bronze HSA \$6000 - 0%	27651A0060004	Bronze	9.1%			1.000	1.000	1.000			
Bronze HSA \$5000 - 20%	27651A0060005	Bronze	13.6%			1.000	1.000	1.000			
Total			100.0%		0.697	1.000	1.000	1.000			

Appendix C
Gundersen Health Plan, Inc.
2016 Iowa Individual Filing
Plan Adjusted Index Rate Calibration

Plan Name	HIOS Plan ID	Metal Tier	Plan Membership	Plan Adjusted Index Rate	Age Calibration Factor	Geography Calibration Factor	Calibration Factor	Calibrated Plan Adjusted Index Rate
Platinum \$1000 - 0%	27651IA0050001	Platinum	1.5%			1.000		
Platinum \$500 - 20%	27651IA0050002	Platinum	4.5%			1.000		
Gold \$1500 - 30%	27651IA0050003	Gold	3.0%			1.000		
Gold \$3500 - 0%	27651IA0050004	Gold	1.5%			1.000		
Silver \$3500 - 20%	27651IA0050005	Silver	7.5%			1.000		
Silver \$2500 - 50%	27651IA0050006	Silver	6.0%			1.000		
Silver \$2500 - 20%	27651IA0050007	Silver	1.5%			1.000		
Bronze \$3000 - 50%	27651IA0050008	Bronze	4.5%			1.000		
Bronze \$4000 - 30%	27651IA0050009	Bronze	1.5%			1.000		
Bronze \$6250 - 30%	27651IA0050010	Bronze	1.5%			1.000		
Catastrophic \$6,850 - 0%	27651IA0050014	Catastrophic	0.7%			1.000		
Silver HSA \$3500 - 0%	27651IA0060001	Silver	18.0%			1.000		
Silver HSA \$2000 - 50%	27651IA0060002	Silver	22.8%			1.000		
Bronze HSA \$3250 - 50%	27651IA0060003	Bronze	3.0%			1.000		
Bronze HSA \$6000 - 0%	27651IA0060004	Bronze	9.1%			1.000		
Bronze HSA \$5000 - 20%	27651IA0060005	Bronze	13.6%			1.000		
Total			100.0%			1.000		

Appendix D
Gundersen Health Plan, Inc.
2016 Iowa Individual Filing
Index Rate to Consumer Adjusted Index Rate

Plan Name	HIOS Plan ID	Metal Tier	Index Rate	Market Adjusted Index Rate	Plan Adjusted Index Rate	Consumer Adjusted Index Rate
Platinum \$1000 - 0%	27651IA0050001	Platinum	\$762.83			
Platinum \$500 - 20%	27651IA0050002	Platinum	\$762.83			
Gold \$1500 - 30%	27651IA0050003	Gold	\$762.83			
Gold \$3500 - 0%	27651IA0050004	Gold	\$762.83			
Silver \$3500 - 20%	27651IA0050005	Silver	\$762.83			
Silver \$2500 - 50%	27651IA0050006	Silver	\$762.83			
Silver \$2500 - 20%	27651IA0050007	Silver	\$762.83			
Bronze \$3000 - 50%	27651IA0050008	Bronze	\$762.83			
Bronze \$4000 - 30%	27651IA0050009	Bronze	\$762.83			
Bronze \$6250 - 30%	27651IA0050010	Bronze	\$762.83			
Catastrophic \$6,850 - 0%	27651IA0050014	Catastrophic	\$762.83			
Silver HSA \$3500 - 0%	27651IA0060001	Silver	\$762.83			
Silver HSA \$2000 - 50%	27651IA0060002	Silver	\$762.83			
Bronze HSA \$3250 - 50%	27651IA0060003	Bronze	\$762.83			
Bronze HSA \$6000 - 0%	27651IA0060004	Bronze	\$762.83			
Bronze HSA \$5000 - 20%	27651IA0060005	Bronze	\$762.83			

Consumer Adjusted Index Rate is the base rate for a given plan.

The premium for a consumer is calculated as:

Consumer Adjusted Index Rate
x Age Factor
x Geography Factor
x Trend Factor

Premium Rate Example:

Bronze Plan - \$3000-50% (Plan ID 27651IA0050008)
Age: 21 Years Old
Rating Area: 6
Effective Date: January 1, 2016

Appendix E
Gundersen Health Plan, Inc.
2016 Iowa Individual Filing
Development of AV Pricing Value

Plan Name	Plan ID	AV & Cost Sharing	Provider Network Adjustment	Benefits In EHBs	Tobacco Surcharge Adjustment	Administrative Costs Excl. Exchange Fee	Specific Catastrophic Eligibility	AV Pricing Value
Platinum \$1000 - 0%	27651A00500001		1.000	1.000	1.000			1.097
Platinum \$500 - 20%	27651A00500002		1.000	1.000	1.000			1.091
Gold \$1500 - 30%	27651A00500003		1.000	1.000	1.000			0.965
Gold \$3500 - 0%	27651A00500004		1.000	1.000	1.000			0.925
Silver \$3500 - 20%	27651A00500005		1.000	1.000	1.000			0.854
Silver \$2500 - 50%	27651A00500006		1.000	1.000	1.000			0.870
Silver \$2500 - 20%	27651A00500007		1.000	1.000	1.000			0.892
Bronze \$3000 - 50%	27651A00500008		1.000	1.000	1.000			0.712
Bronze \$4000 - 30%	27651A00500009		1.000	1.000	1.000			0.728
Bronze \$6250 - 30%	27651A00500010		1.000	1.000	1.000			0.766
Catastrophic \$6,850 - 0%	27651A00500014		1.000	1.000	1.000			0.537
Silver HSA \$3500 - 0%	27651A00600001		1.000	1.000	1.000			0.803
Silver HSA \$2000 - 50%	27651A00600002		1.000	1.000	1.000			0.780
Bronze HSA \$3250 - 50%	27651A00600003		1.000	1.000	1.000			0.694
Bronze HSA \$6000 - 0%	27651A00600004		1.000	1.000	1.000			0.676
Bronze HSA \$5000 - 20%	27651A00600005		1.000	1.000	1.000			0.654

Gundersen Health Plan, Inc.
27651
1/1/2016

Company Legal Name:
HIOS Issuer ID:
Effective Date of Rate C

Section I: General Product and Plan Information

[illegible]

Plan ID (Standard Component ID):

[illegible]

Plan ID (Standard Component ID):

[illegible]

Plan ID (Standard Component ID):

[illegible]